

# The US Army War College Quarterly: Parameters

---

Volume 1  
Number 2 *Parameters Fall 1971*

Article 3

---

9-25-1971

## BREZHNEV'S ECONOMIC CHOICE: MORE WEAPONS AND CONTROL OR ECONOMIC MODERNIZATION

John P. Hardt

Follow this and additional works at: <https://press.armywarcollege.edu/parameters>

---

### Recommended Citation

Hardt, John P. "BREZHNEV'S ECONOMIC CHOICE: MORE WEAPONS AND CONTROL OR ECONOMIC MODERNIZATION." *The US Army War College Quarterly: Parameters* 1, 2 (1971).  
<https://press.armywarcollege.edu/parameters/vol1/iss2/3>

This Article is brought to you for free and open access by USAWC Press. It has been accepted for inclusion in The US Army War College Quarterly: Parameters by an authorized editor of USAWC Press.

## BREZHNEV'S ECONOMIC CHOICE: MORE WEAPONS AND CONTROL OR ECONOMIC MODERNIZATION

by

DOCTOR JOHN P. HARDT

At the December 1969 Plenum of the Soviet Communist Party (CPSU), Leonid Brezhnev made it a matter of record that improved economic performance was a first order agenda item for the Party. From that date to the once postponed 24th Party Congress in March 1971 a Soviet style policy debate appeared to rage on the contents of the Ninth Five-Year Plan for the period 1971-75 inclusive. The discussions ranged from considerations implying a return to the Stalinist heavy industry-military priority to a shift in priority toward the civilian-growth oriented economy, i.e., economic modernization.

Technological change is given a featured place in the Ninth Five-Year Plan directives signed personally by Leonid Brezhnev.<sup>1</sup> One of the plan's most explicit commitments toward technological change and economic modernization relates to the improvement in energy utilization; specifically, increases in



*Leonid Brezhnev, General Secretary of the Central Committee of the CPSU, delivering the opening report to the twenty-fourth Congress on March 30, 1971.*

John P. Hardt is head of the Soviet Communist Area Studies at Research Analysis Corporation (RAC), and a member of the staff of the Institute for Sino-Soviet Studies, The George Washington University. Dr. Hardt received his graduate training in the Russian Institute and Department of Economics at Columbia University. Among publications he has edited are *Mathematics and Computers in Soviet Planning* (Yale 1967) and *Soviet Economic Statistics* (Duke 1971) with V.G. Treml. Dr. Hardt is editor of the *Bulletin of the Association of Students of Soviet Economics* (ASTE), and a Vice-President of the Washington Chapter of the American Association for the Advancement of Slavic Studies (AAASS).

He has been a consultant to the Ford Foundation and the Secretary of Defense. His honors include an Air University Fellowship and a Rockefeller award. In his World War II Army service he acted in a liaison officer capacity with the Russians.



the use of petroleum, natural gas, hydroelectric, and atomic energy. This improvement in the energy balance is designed to raise economic efficiency and replace coal as a major source of energy supply for electric power generation and other industrial and communal needs. Central to the attainment of this energy supply improvement is the ambitious plan for developing the West Siberian Tyumen petroleum development in the next Five-Year Plan. An increase of some 100 million tons to make the new area the primary source of petroleum supply by 1975 illustrates its importance and ambitious character.

The increase in civilian investment to meet the development needs of the West Siberian development raises the question of competition with military claimants for scarce resources. In the past there has been an

inverse relationship between military increases and resources allocated to civilian investments. Similarly, manpower shortages highlight the competition of military and civilian claimants for scarce manpower. Labor, unless productivity increases markedly, is likely to inhibit the fulfillment of the ambitious goals for expansion in the Soviet civilian economy. The feasibility of the Ninth Five-Year Plan would be materially enhanced by release of able bodied males from the uniformed forces. Indeed, when Nikita Khrushchev at the 21st Party Congress discussed the Seven-Year Plan (1959-65) oriented toward economic modernization and Siberian development, he was following a policy of reducing the priority of weapons programs and demobilizing military manpower. Brezhnev may have made the same judgment in 1971, although it was not so indicated at the Party Congress. In 1961 when Khrushchev reversed the policy favoring civilian investment and manpower, the industrial growth rate slowed down. Fortified by the reaction to the Cuban missile crisis, the Khrushchev and post-Khrushchev leadership favored weapons procurement and retention of military manpower throughout the decade of the sixties.

The difficulty in assessing a change in priority between military and civilian programs is that only the plan for the civilian economy is discussed in public, and that only partially, Marshal Zhukov, in his recent memoirs, refers explicitly to the First and Second Five-Year Plan for the Red armies for the period 1929-33 and 1934-38.<sup>2</sup> Marshal Zhukov, currently Chief of the General Staff and First Deputy of the Ministry of Defense, notes in referring to the Third Military Plan (1938-42) that it was personally approved by Stalin, Molotov, Kaganovich and Voroshilov.<sup>3</sup> The context of Marshal Zakharov's current reference further supports our view that the same dual publication of civilian and military Five-Year Plan directives may still be in effect as in the Stalinist period. Without the availability of the military part of the Ninth Five-Year Plan, it may only be possible to make clear judgments on priorities after the resource allocation pattern of several years of

the plan is evident. Or if commitments have been postponed, we may only know about priority changes after the leadership has made its choices.

#### POST KHRUSHCHEV ECONOMIC POLICY

During the post-Khrushchev years 1964-1968 (i.e., up to the December 1969 plenum), continued overall economic development and an absence of severe agricultural crises have produced a surface appearance of calm in the Soviet economy. Defense allocations have apparently been given a top budgetary priority during this period, with a special emphasis on strategic systems but also a general increase across the spectrum of military preparedness. A partial result of this heavy military emphasis has been deemphasis of civilian investment, which has deferred—but not solved—a number of serious problems in economic performance, including too-slow modernization of industry (and the corollary failure to expand use of rich Siberian industrial resources, which would permit further modernization); insufficient improvement in agricultural productivity; inadequate consumer goods and housing availability; and a resulting dampening of growth-stimulating activity in the Soviet economy.

It seems unlikely that the apparent absence of high-level debate on economic policy and moderate economic performance of this post-Khrushchev period would continue. If the country's economic growth remains at a low level—as is expected—the strain on available resources would become greater, and changes in policy to stimulate growth might be forthcoming. The year 1969 was a poor crop year. Although 1970 was better, poor weather years are likely to follow. This would put serious pressures on the economy. Moreover, the costs of the commitment to the military and of deferred investment in growth sectors may become increasingly evident. The cycle of economic performance common to East European Soviet-type economies may become more evident in the Soviet economy. Most pronounced in construction and agriculture, this cycle may spread to industrial output.

The Soviet economy is likely, if the downturn is severe, to find economic performance a factor influencing sharp revisions in resource allocation—especially from defense to investment—and a significant increase in the permissive environment for economic reform. The severity of economic downturn could result from a coincidence of poor weather, an increasing awareness of resource overcommitment in nongrowth-stimulating sectors, and an adverse foreign trade situation. As the leadership cannot defer painful economic choices indefinitely, it seems useful to investigate the framework within which economic choices may be perceived even now, and the alternatives—although they are not explicitly reflected in current policy—that are likely to be future options.

Major changes in resource allocation decisions result largely from Party discussions within the Soviet elite among groups representing institutional-professional, or modernist-reactionary inter- and intra-group combinations. Public challenges to Party economic policy, muted during the 1964-1969 period, began to be expressed again after the December 1969 Plenum. With the clear priority assigned to military allocations, the military has not had to advance its arguments publicly as strongly as during the Khrushchev period at times when the trend of allocations was against them. There are, however, challenges to policy—on investment decisions, military budgets, economic reform in planning and management, etc.—being voiced in the 1969-1971 period. Voices appear to be making the case, albeit with limited success so far, for civilian priorities in national life: agricultural investment, modern industry, Siberian development, urban development, housing, roads, cars, etc. As such demands proliferate and are more forcefully pressed, the debate on resource allocation is apt to become sharper and perhaps even more openly critical, if economic growth slows.

Concomitant with the pressure to make economic choices among alternative claimants is the increasing ability to evaluate the choices. The trend toward optimal planning and market-simulating management, including

increased use of tools such as input-output analysis and linear programming, the greater application of computers, and some improvement in statistical procedures, seems geared to a felt need of the leadership to have better data on which to base their choices.

The issue aligns the economic professional against the Party functionary. In this debate the economic and military professionals may find common cause. How to formulate economic plans to implement party policy and how to choose among military weapons systems to meet requirements of given missions are technical and professional tasks best performed by the professional institutional groups rather than the party bureaucrats, it may be argued.

It is possible to identify some terms of the challenges to the extant but modified Stalinist resource priorities and economic system and the alternatives, as the Soviet leaders are coming to view them, and draw inferences as to Soviet policy options from some of the specific cases. The two general categories of issues may be summarized as follows:

(1) Guns vs economic modernization or growth, i.e., military vs civilian investment and growth-stimulating consumption.

(2) Control vs efficiency, i.e., Party control vs elite pluralism, professionalism, efficiency.

On the guns vs growth issue it may be noted that defense expenditures have always occupied high priority in their claims on the quantity and particularly quality of resources. Economic progress is, however, closely tied to growth-stimulating civilian investment and to a lesser extent to growth-stimulating consumption that provides civilian incentive. Rising capital-output ratios and unsatisfactory improvement in labor productivity even in times of moderate growth call for more and better resource allocation to stimulate growth. If an economic downturn occurs, the call may become urgent. The simple resource relation between guns and growth then is that defense programs are the only significant source of resources that could be shifted to growth-stimulating programs.

On the control vs efficiency issue, the

Soviet statistical reporting system provides indications of progress or success at best in disjointed fashion and in crude physical output terms. Data useful in providing a reliable common value denominator of choice among alternative economic means for attaining prescribed ends are unavailable. The current reforms in planning and management highlight the Party's groping for more efficient means of directing the economy. The term "optimal planning" is used to cover a wide range of changes that would be necessary to produce economic efficiency: it involves an economy-wide setting of goals in all sectors, with a realistic assessment and allocation of scarce resources. It requires, by comparison with the old system, (a) better data; (b) a different method of using data in the planning process, including the use of computers and sophisticated mathematical techniques; and (c) a different set of priorities, reflecting a changed distribution of power, as a result of which competitive sources of power influence the decisionmaking process. Meaningful economic reform at the enterprise level involves a transition from the Stalinist-type control of production and supply to a new demand-oriented system constrained by measures such as sales, costs, and profits. The development of such integrated, optimal planning (as contrasted with piecemeal maximal planning) would have significant implications for economic efficiency. The professional base for a change in planning has been laid with the development of the new economic, statistical, and computer institutes in Leningrad, Moscow, and Novosibirsk. The quantitative basis will be present when and if the planning process is fully adapted to the input-output technique and away from directive Stalinist planning. Though the companion transition to a sounder management basis will probably be more lengthy, the preconditions have also at least in part been laid.<sup>4</sup>

Finally, the old supply-plan physical-allocation machinery has not been replaced by direct trading relations between producers and consumers. At the same time, there is evidence that the military sectors have

been put on a *Khozraschet* (cost accounting) system.<sup>5</sup> There is also an increasing awareness and open reference to the interrelations between military and civilian requirements.<sup>6</sup>

Mr. Brezhnev noted in his speech to the Congress that 42 percent of the defense facilities would produce consumer goods in the new planning period. This may not only represent a weakness in the civilian economy but a less efficient defense supporting industry.<sup>7</sup>

### SOVIET MILITARY-INDUSTRIAL COMPLEX

A direct constraint on the efficient operation of the Soviet industrial enterprise is the pervasive military influence. There is the visible Soviet military-industrial complex headed by Mr. Ustinov, a member of the top Party leadership, and the less visible state organizations, which contribute to both military and civilian programs but may be mobilized by the military to meet ongoing needs.

Aside from the allocation of resources they receive, the military have direct and indirect influence over many activities. At the top, Mr. Ustinov directs the explicit Soviet military-industrial complex including nine ministries: Ministry of Defense, Ministry of Aviation Industry, Ministry of Defense Industry, Ministry of General Machine Building, Ministry of Medium Machine Building, Ministry of Shipbuilding Industry, Ministry of Radio Industry, Ministry of Electronics Industry, and Ministry of Machine Building.<sup>8</sup>

The sphere of Mr. Ustinov's influence is supplemented by many other state enterprises outside the Ministry of Defense, which contribute to military capability. These include KGB troops, MVD and other militarized forces, transportation facilities, telecommunications and public health service, and counterintelligence and security functions of the Committee for State Security (KGB).<sup>9</sup> These activities are largely convertible to military activity with some consultation. For example, the military journal, *Red Star*,<sup>10</sup> reported trucks from construction projects and *kolkhozes* and manpower called up at the

time of the Czech invasion to strengthen the Soviet military effort.

General of the Army S. S. Maryakhin, Deputy Minister of Defense, USSR, Chief of the Rear of the Armed Forces, noted in exercises related to the Czech invasion:

...It is not a secret that, in order to participate in the exercise, it was necessary to take from the national economy, for a certain time period, thousands of various units of powerful equipment and motor transportation, and recall from kolkhoz and suvkhoz fields, as well as from industries and government organizations, thousands of reservists. And this at the time when the country was in the midst of harvesting.

... It is comforting to realize that the powerful and wealthy national economy was able to allot all that was necessary for the army, without any damage to the fulfillment of the annual national plans.<sup>11</sup>



*Pipe mill plant near Moscow.*



*Soviet oil workers drilling for oil in Siberia.*

It is presumably this kind of activity that led Mr. Aganbegan to comment that the military controlled 40 percent of the economy.<sup>12</sup> This control could be used to shift normally military production to civilian needs. It was reported, for example, that agricultural equipment was being produced at one time in Leningrad shipyards during the late fifties. Moreover, it may represent a weaker Soviet military logistic system than often assumed. If the Soviet military was compelled to call on the civilian economy to enable its forces to mobilize and move into Czechoslovakia, the weak logistic system interpretation is tenable. However, if the military logistics system was adequate but the military had the power to commandeer civilian transport in order to ensure a comfortable margin, another quite different interpretation is supportable. Evidence from Soviet sources does not permit a definitive judgment on this question.

Cumbersome and inefficient as the military

administration and conversion of parts of the economy may be, it represents a choice that is diminishing in importance. As the strategic systems expand in relative importance, the choice between guns and growth is increasingly limited to the stage of investment rather than production, since the missile support industry is not convertible to civilian needs the way the conventional weapons support industry is. To some degree, this element of nonconvertibility from production-supporting strategic systems to civilian production applies to other elements of military hardware as well.<sup>13</sup> However, it is among the technologically convertible sectors that agricultural investment must compete. It was presumably the military, Mr. Polyanskiy's so-called "other people," who were diverting production from agricultural equipment in 1967.

If change of a significant nature is undertaken in the Soviet economy involving a substantial expansion of the minority group that controls effective power and a change in the character of that minority from a primarily political orientation to a more technical economist/businessman character, this change might in itself engender other changes within the Soviet society.<sup>14</sup>

What appears to be involved is a revision of the concept of democratic centralism, the guiding principle of decisionmaking by which the Party develops policy and maintains discipline. As originally conceived by Lenin, it meant essentially that the members of the Party would freely discuss the issues before a decision was made, but, after resolution, all were to adhere to the Central Party decision without dissent; it also meant that the higher body's decision must control those of any lower body. As applied under Stalin, because it barred his assumption of all power, the democratic aspect of this concept was muted, as illustrated in Nikita Khrushchev's de-Stalinization speech in 1956. He noted repeatedly the lack of participation in decisions by even the minority elite forming the Communist Party in the Soviet Union. An outstanding example of this restrictive Stalinist application of democratic centralism in the formulation of economic policy was

the discussion of the Fifth Five-Year Plan. This may have been an issue in the elimination of the head of the State Planning Commission, Nikolai Voznesensky, who, according to Khrushchev, "perished physically" as a victim of the Stalinist "cult of personality."<sup>15</sup>

Stalin's personal decision on the armament for tanks, the choice among artillery pieces to be manufactured and other technical decisions on the eve of World War II represented extreme interventions of the top Party in the area of professional military competence. This is the kind of intrusion probably resented by economic and military professionals alike.

Many changes have taken place since 1953 in the application of democratic centralism and in the formulation of economic policies and other matters. There are now at least four groups within the elite who influence and constrain policy decisions in the Soviet Union and the Party: the military, the economic planners/enterprise managers, the scientific group oriented around the physical sciences in the Academy of Sciences, and the Party bureaucracy. The military have had perhaps the closest approximation to actual decisionmaking power within their own sphere of professional interest, but even their power in the post-Stalin period has fluctuated.<sup>16</sup> The new group of economists/managers, indicated above, appears to be approaching a position where it may constrain and influence policy on economic matters.

All these professional elite groups below the top leadership have a common interest in achieving a greater delegation of power from the Party core in the decisionmaking process. Each group can, presumably, agree that within the guidelines provided by the political leadership, policy can be more efficiently implemented by those trained professionally, formally or by experience to understand the implications of alternative allocations of Party policy guidelines. At the same time, each will likewise tend to compete with the others for priority in policy decisions involving a share of limited resources to attain its particular ends. This conflict of interest doubtless

hampers their mutual quest for a broader delegation of power within the Party guidelines of policy. And all of them—those within the elite groups and those at the pinnacle of Party power itself—must be aware that the decisionmaking power desired may be diluted in the process of implementation in each of these groups. There has been perceived a rising new generation of younger leaders allied in principle in the pursuit of a broader delegation of power or a more liberal interpretation of the rule of democratic centralism in Soviet Party affairs.<sup>17</sup> For the economist/management group, the establishment of indirect controls in the economy would be an implied expression of this kind of delegation of power. The generational problem for the Soviet leaders may have its implications for change. A leading Soviet economist among the modernizers is said to have commented that he could talk professionally only to colleagues under 35 or over 65, thus eliminating the Stalinist generation. The young economists are increasing in numbers and influence. Likewise, the generational change will be a factor: "Thus, our industry is on the eve of a big change. The administration is being taken over by the young."<sup>18</sup>

The surfacing of countervailing groups points to a new political situation inside the Soviet Union: the emergence of pluralism within the Soviet elite stimulated by differing views on proper resource allocation. This phenomenon is most vividly illustrated by the Soviet military and their interaction with other groups. Thus the resource allocation problem as it affects defense may create differences not only between the military and other groups but may create an even more complex situation: an alliance of some political, economic, and military leaders on one side against a similar grouping on the other. It is known that some military and industrial leaders have joined forces in the past because of a direct relation between the development of heavy industry and its output for the armed forces. Similarly, some political and economic leaders have joined in opposing a disproportionate allocation of resources to defense and heavy industry because of its

effect on balanced economic growth and the regime's popularity. Internal dissatisfaction of the Soviet people, whose needs are being neglected in any downgrading of light industry, can affect their ability to produce the sinews of national power. For this reason the proponents of consumer light-industry orientation have drawn the support of some of the military leaders responsible for welfare of men rather than weapons capabilities. (This includes the *tyl* or the rear services commanders, e.g., those responsible for housing and supplying services and food to army personnel. Since 1963 there has been a significant improvement in Soviet military housing and support facilities.)

The initial institutional differences between the military and other groups have centered on the size of the defense budget in relation to other allocations. However, once the overall defense budget decisions are made, they surface differences *between* the military leaders, depending on their particular responsibilities, over the priorities that should govern the allocation of the defense budget among the several services. Thus, for example, Marshal Krylov, when commander of Soviet missile forces, has differed with Marshal Chuikov, a former ground force commander, on the thrust of Soviet defense expenditures. (This has been reflected in the stress each has placed on the importance of his own command.) Another example relates to differences between the Soviet military on the priorities of missile defense. Although all can agree that missile defense should get a bigger allocation of resources, budget limitations can give rise to differences on whether the resources should go into developing missile defense to defend population centers or into developing the ground forces in the field.

The foregoing suggests that the Soviet military are not a monolithic group in unanimous opposition to other institutions. Rather, their views are shaped by (a) the particular command they may have at the moment, (b) their war experience and age, and (c) their training and education. These factors can and do lead to differences *within* the military that can serve as the basis for segments of the military to join nonmilitary





*Kreschatik—Kiev's main street.*

across institutional lines: a Soviet commander with generalized ground force experience may be given command of a specialized branch or service, such as the long range missile or air defense forces. His views are then likely to be shaped by the requirements of that command. (This may be compared to the influence of regional requirements on a Party leader's views even if he previously served in Moscow and should put the center's interests above local interests.) Thus Marshal Krylov's differences with Chuikov cited earlier have occurred despite Krylov's earlier career as a ground force commander.

Past war experience has shaped the views of the older Soviet commanders. Given the current and future military problems likely to face the Soviets, these views have been challenged by younger Soviet officers as being out of date. The challenge also relates to the function of age. The Soviet military establishment seems to be passing from the hands of the older marshals who made their

mark in World War II and have dominated Soviet strategic thinking to date. The younger, perhaps better-trained officers, are now moving to the fore.

The issue of technocrats vs generalists has also generated differences within the Soviet armed forces. In response to younger technical specialists, the older Soviet commanders have tried to justify the value of their generalized command experience. This is reflected, for example, in General Shtemenko's rationalization of the overriding command advantage that a commander with general experience has over a technically trained officer.

The foregoing illustrates the development of a pluralism within one elite—the military; it is but another indication of a wider change on the Soviet political scene involving other groups. The cultural elite is involved in a battle with other elites and within its own ranks for a role in shaping the development of Soviet society. In the main, its battle is with the police and other reactionary forces over professionalism and does not find expression in the resource allocation debate directly.

Again, these cleavages and group interests may be catalyzed if an economic crisis forces hard decisions on the implications of the Ninth Five-Year Plan.

#### **DYNAMICS OF SOVIET SOCIETY**

Brezhnev's choices on weapons and control should be placed in the broader context of the changing system within which the Soviet Party may be expected to change. There are three possible lines of development in the years ahead: (1) a return to the essential features of the Stalinist system of priorities, control and administration; (2) a continuation of the equivocal, modified Stalinist system devised and used by the post-Khrushchev leadership; (3) significant changes in the Soviet system resulting in more professionalism and pluralism in the decisionmaking elite, and a shift to optimal planning and market-simulating management in the economy.

As to the first, in the light of current conservatism in the Soviet Union one might

ask, "Why should we not write off the economic reforms and political pluralism as a temporary thaw in the continuous pattern of Stalinist development and expect the Soviets to revert fully to the old system of Joseph Stalin?" This prospect seems unlikely on peering into the future. A full return to Stalinism does not appear possible without the terror and perhaps without the duplication of the original circumstances of a primitive, developing economy led by a personage such as Joseph Stalin. In spite of the resurgence of Stalinist methods in repressing intellectuals and creative artists—writers in particular, and those who press the civil rights of individuals and minorities, such as General Grigorenko and Pavel Litvinov—it is not expected that the current leadership will unleash the security forces in the style of the 1930's. The author does not believe that the Stalinist terror could be reinstated again, nor that the leaders of a complex, more modern Soviet state could or would pay the price of depriving their society of its professionals and thinkers. This simply would not conform to the objective rationale of the current Soviet leadership. Indeed Leonid Brezhnev was careful not to criticize or to praise the Stalinist system in his major address to the Party Congress.<sup>19</sup>

The second, continued strategic-military emphasis with institutional stagnation or economic *immobilism*, an equivocal modified Stalinist system, is possible but increasingly less likely because the probable pressure for change from poor economic performance as compared with economic potential is likely to increase. As the economy becomes progressively worse in satisfying felt needs—perhaps dramatically worse if all cyclical factors simultaneously trough for supply and peak for demand—that pressure will continue to grow.

Major changes in the future will be built on the changes that have taken place to date. The view of the author is that significant changes have been made in planning and management underpinning economic reform. A new professional planning cadre has been developed at the research organizations and institutes throughout the USSR. This cadre

represents a capability for taking over the implementation of new mathematical and statistical techniques at the center and in the enterprises. Moreover, a new managerial class has been called for by the Soviet leadership, and some potentially significant changes have been made in the choices of key managerial personnel, training, and evaluation. Similarly, the beginnings of change in the information and reporting system have occurred particularly with the transition in planning for the Ninth Five-Year Plan using the 1966 input—output table. These changes are significant as they represent the major preconditions for a shift to optimal planning and management simulating a market in the Soviet economy.

It is true, of course, that beyond the preconditions, changes in Soviet economic planning and management have been slow in adoption. Two central problems appear to impede the reforms: (1) the release of resources from the military programs to civilian activities—so central to improved economic performance—has not been forthcoming (indeed, the military share has been rising) and (2) the delegation of decisionmaking from the Central and Regional Party and military organs, implied in Soviet discussions of optimal planning and management simulating a market, has been resisted and largely frustrated.

What will break this immobility and allow the significant foreseeable changes to come about? One possibility is a shift in Soviet defense policy, from the present pursuit of parity with or superiority to the US in the nuclear race. This could come about if the Soviet leaders, faced with the incredibly costly prospect of matching the US Multiple Independently-Targeted Reentry Vehicle (MIRV), decided that, in view of their weak economic position, they would opt to deemphasize defense and turn some resources from military to growth-stimulating sectors. It is equally possible that Soviet response to the MIRV will be to up the defense ante. It is also extremely unlikely that the military will, under any circumstances, voluntarily give up their large share of the budget.

Nevertheless, there is still the strong

likelihood, as noted, of continued economic deterioration. Economic crisis could force the shift from defense expenditures to growth-stimulating ones that would not otherwise be made. In other words, the shift from defense might be resisted on policy grounds but be taken as the only viable economic alternative. Economic crisis could likewise bring about a shift of control to the economic planners and managers in the quest for recovery.

In such a situation, the changes that will necessarily ensue will not be minor changes. Mere tampering with the system, further modified Stalinism, will not produce the desired results, as the experience of the past few years has demonstrated. To overcome the inertia of the system, major changes will have to be made in allocation of resources and distribution of control.

The cost of equivocation is high and rising. To bring any civilian projects, e.g., the West Siberian petroleum development, into production substantial integrated investment outlays over long periods of time are required. Similarly a new generation of weapons may require not only long gestation periods but a significant change of interrelated resource commitments. To simultaneously undertake overcommitments within and between these kinds of areas invites a proliferation of unfinished projects and unsatisfactory performance.

To continue the dual existence of the old modified Stalinist system of planning and management while developing but not implementing a more sophisticated planning and management system is expensive and potentially counterproductive. The painful choice among resource claimants and between the old and new systems of planning and management may in time be perceived by the Soviet top leadership as less costly than the increasing cost of equivocation and muddling through.

Is it not logical, one might ask, for the Soviet leadership to shift temporarily to growth preference in resource allocation and planning/management and, then, with the additional resources and strength generated through these measures (e.g., for the period of

the Ninth Five-Year Plan), to revert to the old priority for defense. This, it would seem, would be the logical path to follow in order to maximize the Soviet position vis-a-vis the US.

This kind of reasoning assumes, however, that the Soviet leaders accord sole priority to the national position with the US. It ignores a crucial fact that enters the reasoning of the present leaders--their own power position in the Soviet Union. Who is to say that five years hence, after allowing their control of the Soviet system to move into the hands of the modernists in the search for economic well-being, they could regain their leadership positions and return to the present priorities?

The remnants of the Stalinist power structure in the military and elsewhere undoubtedly fear that any temporary loss of power will be irreversible once the trend to modernism is allowed to take hold. Their position in the hierarchy governs their position on economic reform. The struggle for distribution of power among the contending institutions is at the same time the engine for change and the source of the stagnation which has immobilized the entire Soviet system. Decisions postponing further buildup in Soviet strategic systems, the SS-9 and SS-11, and a resumption in military manpower demobilization may be the decisions which trigger more far-reaching changes under the otherwise conservative term of Leonid Brezhnev in the office of Party General Secretary.

#### FOOTNOTES

1. *Ekonomicheskaya Gazeta*, (Economic Gazette), No. 8, Feb 1971.
2. *Memoirs*, pp. 115-ff.
3. *Novaya i Noveishaya Istoriya*, (New and Current History) No. 5, Sept-Oct 1970, p. 10.
4. J. P. Hardt and T. Frankel, "The Industrial Managers," in H. G. Skilling and F. Griffiths, *Interest Groups in Soviet Politics*, Princeton Press, 1971.
5. Cf. P.V. Sokolev (ed), *Voenno-ekonomicheskiye Voprosy v Kurse Politekonomii*, (Military-Economic Problems in a Course of Political Economy), The Military Press of the Ministry of Defense of the USSR, Moscow, 1968.

6. I. S. Glagolev, *Vliyaniye razoruzheniya na ekonomiku*, (Influence of Disarmament on the Economy), Izdatel'stvo "Nauka:" Moscow, 1964, p. 50.

7. *Pravda*, 31 Mar 71.

8. *Fortune*, Aug 69.

9. For detailed discussion, see J. Reitz, in *Soviet Economic Performance and the Military Burden*, US Congress, Joint Economic Committee, US Government Printing Office, Washington, D.C., Sep 70.

10. Cf. *Krasnaya Zvezda*, (Red Star) 25, 27, 31 Jul; 2 Aug; and 12 Sep 68.

11. *Ibid.*

12. *ASTE Bulletin*, VII (2): (Summer 1965).

13. *Ibid.* VII (2): (Summer 1965).

14. Cf. John P. Hardt, in *St. Antony's Papers*, 20-44 (1966).

15. "Khrushchev's Secret Speech," in the Russian Institute (ed), *The Anti-Stalin Campaign and International Communism: A Collection of Documents*, Columbia University, New York, 1956, p. 58.

16. Louis Nemzer, "Conflicting Patterns of Civil-Military Relations in the USSR," RAC-TP-142, Research Analysis Corporation, May 64.

17. Vladimir G. Treml, in *History of Political Economy*, I (1): 203-16 (1969).

18. G. Kozlov, "Shkola Upravleniya" ("School for the Administration"), *Noviy Mir*, (New World), 8: 204 (August 1968). Nauchno-Issledovatel'skiy Institut (NII) is the Scientific Research Institute of the Ministries.

19. *Pravda*, 31 Mar 71.



*Soviet servicemen from a guards division pass in review in the October revolution anniversary parade in Red Square.*